



Pathfinder Investment Funds

# Other Material Information

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Investing shapes the world we live in, Let's *shape a better one.*

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## Contents

1. General information	1
2. Who is involved?	2
3. Supporting people, planet and animals	2
4. Material contracts, policies and documents	3
5. What are the risks of investing?	5
6. Conflicts of interest	7
7. Taxation	8



## 1. General information

### Purpose of this document:

This Other Material Information document (**Document**) contains material information for the Pathfinder Managed Investment Scheme (**Scheme**) that is not contained in the Product Disclosure Statement (**PDS**). It should be read together with the PDS, the Statement of Investment Policy and Objectives (**SIPO**), the Ethical Investment Policy and the other documents uploaded on the Schemes offer register on the Disclose website <https://disclose-register.companiesoffice.govt.nz/>.

This Document relates to the offer of units in each of the following funds (**Funds**):

Fund	Establishment Date
Global Water Fund	20 April 2010
Global Property Fund	30 June 2015
Global Responsibility Fund	24 August 2017
Ethical Trans-Tasman Fund	18 September 2019
Ethical Growth Fund	17 August 2020
Green Bond Fund	25 August 2022

**Viewing the PDS:** The PDS and other information about the Scheme and each Fund can be found on the Disclose website <https://disclose-register.companiesoffice.govt.nz/> and [www.pathfinder.kiwi](http://www.pathfinder.kiwi).

**Some terms we use:** In this Document where the words “us”, “we”, “our” or “Pathfinder” are used they refer to Pathfinder Asset Management Limited (the manager of the Scheme). Where the words “you”, “your” or “investor” are used they refer to you as an investor in a Fund. Capitalised terms in this Document have the meaning given to them in the PDS.

**Investing through a custodial service:** The PDS and this Document are prepared for investors who invest directly in Fund units. It is also possible to invest indirectly in a Fund through a custodial service. You may be directed to do this by your financial adviser. A custodial service (also known as a “wrap platform”) aggregates holdings of units for investors. If you invest through a custodial service then it is the custodial service (and not you) that we recognise as the investor. The custodial service may specify a minimum investment amount.

**SIPO:** We manage the Funds under the SIPO.

**No performance guarantees:** Neither Pathfinder (as Manager) or Public Trust (as Supervisor) guarantees performance of the Funds or any return from an investment in the Funds.



## 2. Who is involved?

Pathfinder is a boutique fund manager based in Auckland and was established in 2009. We are licensed under the Financial Markets Conduct Act 2013 as a manager of this Scheme and the Pathfinder KiwiSaver Plan. Information about our board of directors can be found on our website and on <https://companies-register.companiesoffice.govt.nz/>.

Pathfinder's Ethics and Investment Committee has up to seven members. The membership of the Ethics and Investment Committee is determined by the Board, and the Chair of the Committee has to be independent.

You can find biographies for each member on our [website](#).

## 3. Supporting people, planet and animals

To support our vision for a better future happening faster we can give in one or more of the following ways

- 1) Charitable donations: donations for a specific project or charitable work generally.
- 2) Scholarships: supporting underrepresented or under-supported people in their development into sectors capable of making systemic social change.
- 3) Social enterprise grants: supporting purpose-driven ventures with the potential to create positive change.
- 4) Education and awareness: supporting initiatives with potential to promote positive change.

As part of our commitment to social and environmental causes in New Zealand, Pathfinder and Alvarium executives may hold governance positions with one or more of the organisations that we support.



## 4. Material contracts, policies and documents

Below are material documents in relation to the Scheme and the Funds:

Document	Parties	Purpose
Trust Deed	Pathfinder, Public Trust	Governs the establishment and operation of the Scheme.
Establishment Deeds	Pathfinder, Public Trust	Each Fund under the Scheme is constituted under a separate establishment deed.
SIPO	n.a.	This defines the investment objective and strategy for each Fund, including restrictions on investments.
Investment Management Agreement	Pathfinder; Metlife Investment Management Limited ("Metlife")	Appoints Metlife as investment manager to manage assets held by the Green Bond Fund.
Service Agreement (Apex)	Pathfinder, Apex Investment Administration (NZ) Limited (Apex Group (NZ) previously known as MMC Limited)	Appoints Apex Group (NZ) as administration manager to perform services for the Funds such as registry, fund accounting, fund valuations, reconciliations and unit pricing.
Investment Management Agreement	Pathfinder, Salt Funds Management Limited ( <b>Salt</b> )	Appoints Salt, our sister company, as investment manager to manage assets held by the Wholesale Ethical Trans-Tasman Fund in which the Ethical Trans-Tasman Fund invests.
Service Agreement (Alvarium)	Pathfinder, Alvarium Wealth (NZ) Limited ( <b>Alvarium</b> )	Appoints Alvarium, our sister company, to provide services on behalf of Pathfinder to fulfill all obligations as the Manager of the Scheme.



We are able to make changes to documents in relation to the Scheme and each Fund. We set out below some of the important areas where we can make changes. This is not an exclusive list, but is intended to point out some key terms that can be changed:

Change	Notice we will give you	Restrictions on changes
Fees: introduce new fees or increase existing fees, remove fees.	Two months	There are maximum limits on some fees.
Amounts: minimum investment, minimum withdrawal, minimum balance, buy/ sell spreads	Not required	We can change these at any time.
SIPO terms: such as investment objectives, asset allocation, permitted investments and Fund benchmark	Not required	Consultation required with the Supervisor. Prior notice of material changes will be given to you and noted in our annual report.
Trust deed and Establishment Deeds: changes to terms	Notice may not be required (although some changes require a special resolution of investors)	Consultation required with the Supervisor. Changes will be noted in our annual report.



Pathfinder also has a number of internal policy documents that govern its operations. Some of these are mentioned below:

Policy	Purpose
Ethical Investment Policy	This describes how our ethical values are embedded in the way we invest.
Compliance Manual	<p>This provides our framework for identifying, monitoring, managing and reporting on risks. Areas covered include:</p> <ul style="list-style-type: none"><li>• Pathfinder governance</li><li>• Internal controls</li><li>• Conflicts of interest</li><li>• Related party transactions</li><li>• Insurance</li><li>• Business continuity</li><li>• Scheme administration (unit registry, valuation, pricing)</li><li>• Error reporting and compensation</li><li>• Insider Trading Policy</li><li>• Trade Allocation Policy</li><li>• Private Asset Valuation Policy</li></ul>

Please contact Pathfinder (email: [info@pathfinder.kiwi](mailto:info@pathfinder.kiwi)) if you would like more information about the material contracts, policies and other documents.

## 5. What are the risks of investing?

All investments involve some level of risk. This may mean (1) you do not get all your money back and/or (2) you do not get your money back at the time you want it and/or (3) a non-financial outcome or objective (such as a specific ethical objective in respect of an individual investment within a Fund or in respect of a Fund as a whole) may not be achieved. Before making investment decisions, you should consult a financial adviser. The following section supplements section 4 of the PDS “What are the risks of investing?” which sets out the material risks to your investment in the Scheme. In addition, the following risks may affect the value of your investment in the Scheme.

You should only invest in a Fund if you understand and are willing to undertake the risks involved. Carefully consider each of the Fund risks set out in the PDS and below. The following, and the risks set out in the PDS, is not a complete list of risks that may impact your investment in the Scheme; it does cover those that are more likely to arise.



## Risks for all funds

- **Loss of key personnel:** Pathfinder is a boutique fund manager. There is a risk that the loss of key Pathfinder personnel could adversely affect its performance (and therefore the Funds' performance).
- **Operating risk:** There is a risk of technological or other operational failure impacting on the Funds. There is also the risk that our internal processes or systems are not adequate or that they fail. This may impact the operation of the Funds.
- **Outsourcing risk:** Apex Group (NZ) has been appointed as administration manager for the Funds, which includes providing registry and fund accounting services. Salt Funds Management Limited has been appointed as investment manager for the Wholesale Ethical Trans-Tasman Fund, and Metlife Investment Management has been appointed as investment manager for the Green Bond Fund. We have made these appointments to access the specialist skills of these entities. However, this does mean we are reliant on them continuing to perform their functions (it could impact the Funds if they fail to do so).
- **Investment manager risk:** We, or the relevant investment manager, make decisions that impact on how each Fund is allocated between the relevant investment sectors. We, or the relevant investment manager, also make decisions that impact on allocations between individual investments. The effectiveness of our investment process and decisions made will affect each Fund's returns.
- **Hedging market risk:** Strategies may be used to hedge market risk (such as the use of cash holdings or derivatives). The risks include that the protection may not be in place when markets fall and by holding higher levels of cash a Fund may not fully participate if the market rises.
- **Regulatory risk:** This relates to changes in legislation or regulation (or interpretation or application of these) in New Zealand or a country where the Funds invest. Any such change could have an adverse effect on the Funds, your investment and/or your after-tax returns.
- **Variation of returns:** Investing on a socially responsible basis may mean returns or volatility are different to market returns and volatility. For example, our Funds do not invest in coal or oil companies.
- **Suspension or deferral of redemptions:** In normal circumstances an investment in a Fund can be redeemed. However, it is possible that redemptions may be deferred or suspended. This could happen, for example, if a Fund was unable to sell the underlying assets it holds or, if as a result of unusual events, markets were not open for trading. Should this occur, it would mean you may not be able to redeem your units when you want to.
- **Single asset class risk:** Each of the Global Responsibility Fund, Global Water Fund, Global Property Fund, Green Bond Fund and Ethical Trans-Tasman Fund is predominantly invested in one asset class (shares or, in the case of the Green Bond Fund, green bonds) meaning none of those Funds are diversified across asset classes. If market prices for that asset class fall, it will generate losses for the relevant Fund.
- **Specific investment risk:** This is the risk that one or more investments owned by a Fund may face unforeseen events which may not affect financial markets generally, which reduces the value of the specific investment.



## 6. Conflicts of interest

This section sets out information about any conflicts of interests that could reasonably be expected to materially influence the investment decisions in our role as manager of the Scheme.

Conflicts of interest occur when our interests, as manager of the Scheme, may be inconsistent or very different to the interests of the investors in the Scheme. It is important that conflicts are identified and managed, whether the conflicts are real or perceived.

Conflicts of interest will arise from time to time. Examples of circumstances in which conflicts may arise include:

- Investments are made into funds or financial products of a related party (for example in financial products managed or arranged by Pathfinder, Alvarium or Salt Funds Management Limited (our sister companies) or associated companies). For managing of this conflict, see below in relation to related party transactions.
- Investments that are bought, sold or held by Pathfinder's KiwiSaver Plan may also be bought, sold or held by a Fund in the Scheme. This conflict is managed by Pathfinder's Trade Allocation Policy.
- Pathfinder and Alvarium staff may want to buy, sell or hold a security personally that is also held or considered by a Fund. This conflict is managed by Pathfinder's Insider Trading Policy.
- Investments are made into companies where a director is also a person associated with Pathfinder. For managing of this conflict see below in relation to related party transactions.

### Duty to Investors:

Our focus for managing conflicts of interest is our duty to act in the best interests of our investors.

Our Compliance Manual recognises that to achieve this our focus is on creating processes, controls and a culture where:

- client interests are at the heart of the business
- staff understand (and care about) good outcomes for investors
- investors are treated equally and fairly and any conflicts of interest are disclosed to them.



## Related party transactions

We manage this conflict by ensuring that all transactions giving rise to a related party benefit comply with requirements of the Financial Markets Conduct Act 2013 and Pathfinder's Related Party Transaction Policy. This procedure requires us to certify that the transaction, or series of transactions, is permitted by the Financial Market Conduct Act 2013. We must also notify the Supervisor of the transaction or transactions. These related party transactions include:

- The Global Responsibility Fund investing solely in the wholesale Responsible Investment Fund managed by us.
- The Pathfinder Ethical Trans-Tasman Fund investing solely in the Wholesale Ethical Trans-Tasman Fund, a wholesale fund managed by us and Salt Funds Management Limited, our sister company (as investment manager).
- The Pathfinder Ethical Growth Fund may invest in the Wholesale Ethical Fixed Income Fund, the Wholesale Ethical Trans-Tasman Fund, the Pathfinder Responsible Investment Fund and the Green Bond Fund. Salt Funds Management Limited (our sister company) has been appointed as investment manager of the Wholesale Ethical Trans-Tasman Fund.

## 7. Taxation

**Background:** Your returns from a Fund will be affected by taxation. The following is a general overview of taxation that applies. It is based on current NZ tax legislation (which may change). The impact of taxation will vary depending upon your individual circumstances. Pathfinder (as manager) and Public Trust (as supervisor) do not take any responsibility for your taxation liabilities. You are encouraged to seek professional financial and tax advice.

**Terms used:** In this section the terms "PIE" and "PIR" are used extensively. These are defined below:

Term	Meaning
PIE	Each Fund is a unit trust investment vehicle that has a special designation for tax purposes called a "portfolio investment entity" (or "PIE"). This term is defined in the Income Tax Act 2007.
PIE Tax	PIE tax is tax on income allocated to you as an investor in a PIE fund. This will be determined by reference to the PIR you nominate and is generally paid by the Fund (and not by you).
PIR or Prescribed Investor Rate	This is the tax rate an investor in a PIE may (or must) elect under the Income Tax Act 2007. Your nominated PIR is used by a PIE to calculate the tax liability on income allocated to you.



**PIE status:** The taxation rules applying to each Fund assume the Fund is a PIE. Should a Fund cease to be a PIE, the taxation rules applying to it may change.

**Allocation of income:** Each Fund allocates all taxable income (or losses) between investors based on the number of units held by them. We calculate tax payable on income allocated to you at your nominated PIR. See “Tax-paying investors”, “Notified Foreign Investors” and “Zero-rated investors” sections below.

**Notification of tax number and PIR:** You must provide us with your NZ IRD number (or foreign tax number, if nonresident) when you join a Fund. If you do not provide this information within the time period allowed, we are not able to accept your investment. You must also provide your PIR on joining (and when these details change). If you do not notify a PIR, then income allocated to you by the Fund will be taxed at the 28% default rate.

#### Explanation of PIRs:

The PIR rules are as follows:

- 10.5% and 17.5%: NZ resident individual investors have the following PIRs dependent on their taxable and net PIE income (i.e. PIE income less PIE losses) in one of the two previous income years:

Taxable income	Taxable + Net PIE income	Prescribed Investor Rate
\$0 – \$14,000	\$0 – \$48,000	10.5%
\$0 – \$48,000	\$0 – \$70,000	17.5%

The 17.5% rate can also be elected by a NZ resident trust (that is not a charitable trust), while the 10.5% rate is available to non-charitable New Zealand testamentary trusts only.

- 28%: This rate applies for all other NZ individual investors, all non-resident investors (other than NFIs), and NZ resident trusts which have elected to be taxed at this rate.
- 0%: (“zero-rated”): This rate applies to NZ resident companies, registered charities, PIEs, and NZ resident trusts (including superannuation funds) that have not elected a 10.5%, 17.5% or 28% rate. It also applies to nominees and wrap providers that are proxies for PIE investors (as defined in the Income Tax Act 2007).

**Notified Foreign Investors (NFIs):** The Global Water Fund is registered as Foreign Investment Zero-Rate PIE and the Global Responsibility Fund, Ethical Trans-Tasman Fund, Green Bond Fund, and Ethical Growth Fund are registered as Foreign Investment Variable-Rate PIEs (collectively referred to as “Foreign Investment PIEs”). Special PIR rules apply for certain non-resident investors in Foreign Investment PIEs. A non-resident investor in a Foreign Investment PIE can elect to be treated as a NFI if they provide (in addition to their normal investor details):

- their date of birth (individuals only);
- the address in their country of tax residence (and country code); and
- their foreign tax number (and NZ IRD number, if available) or a statutory declaration that they are not able to provide their foreign tax number.



A NFI in a Foreign Investment Zero-Rate PIE has a 0% PIR automatically applied to all allocated income. A NFI in a Foreign Investment Variable-Rate PIE has a 0% PIR automatically applied to allocated income from non- NZ investments (while different PIRs will be automatically applied depending on the type of NZ investment). Non-resident investors that are not NFIs will have a 28% PIR applied.

## Tax-paying investors

**Background:** Investors with a nominated PIR greater than 0% are referred to as “tax-paying investors”. Tax will be deducted by cancelling units (or deducted from distributions, if any) equal to the value of the tax liability on PIE income allocated to them. A Fund’s tax liability on PIE income allocated to its tax-paying investors will be deducted at the earliest of the following times:

- at the end of the income year (following 31 March); or
- upon any full or partial withdrawal or transfer.

**Tax refunds:** A refund of tax will be provided to a Fund to compensate for any PIE tax losses or excess NZ tax credits relating to tax-paying investors. This is then allocated to such investors by issuing additional units in the Fund.

**Final tax:** If you nominate your correct PIR then the tax paid by a Fund on income allocated to you as a tax-paying investor will be a final tax. This means there is no obligation for you to file a tax return in respect of an investment in the Fund.

**Advising the correct PIR:** Tax-paying investors must advise us if their PIR (or tax residence or NFI status) changes and nominate their new correct tax rate (if applicable). Failure to advise, or providing a lower rate than that applicable, will mean you are personally liable to pay any tax shortfall as part of the income tax year-end process. We cannot change your nominated PIR in respect of PIE tax that has already been calculated and deducted by a Fund. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

**Cancellation of units:** If you are a tax-paying investor and the value of your units is not regarded as likely to be sufficient to fund the PIE tax liability on income allocated to you, the units will be redeemed to fund that liability. Each investor indemnifies the Supervisor and Manager if the value of their units is not sufficient to meet any PIE tax liability attributed to the investor.

**PIE tax on transfers:** If you transfer your units prior to 1 April in any year you will bear the cost of the PIE tax on income allocated to those units. This will be calculated from the beginning of the income year to the date of transfer by you.



## Zero-rated investors

**Background:** Investors with a PIR of 0% are referred to as “zero-rated investors.” If this applies you must return the allocated PIE income/(loss) and tax credits (if any) and pay tax yourself (except if you are a NFI in a Foreign Investment PIE). You may have a tax liability in respect of the PIE income allocated to you, regardless of whether the Fund makes any distributions to you.

**Tax credits and losses:** Because a Fund does not pay tax on the income allocated to zero-rated investors it will not cancel your units or otherwise adjust your holdings for PIE tax. As a zero-rated investor you will be entitled to claim your share of tax credits or PIE tax losses directly. You may also claim as a credit any PIE tax paid by the Fund on income allocated to you, including at the 28% default rate. This does not apply to an NFI in a Foreign Investment PIE.

## New residents and transitional residents

Special rules apply for investors (who are individuals) that have newly become NZ tax resident or who meet the definition of a transitional resident (in the Income Tax Act 2007). Please seek professional advice if these investor definitions apply to you.

## Joint investors

Joint investors will need to provide the applicable PIR and NZ IRD number (or foreign equivalent) for each investor. PIE income will be allocated to each joint investor with tax calculated at their nominated PIR. If a joint investor does not provide their PIR, tax will be deducted at the 28% default rate.

## Other important taxation information

**Tax certificate:** we will provide you with an annual tax certificate. The certificate includes the PIE income allocated to you and the amount of tax paid at your nominated PIR.

**Gains and distributions:** Redemption gains and distributions (if any) from a Fund will generally not be taxable to you.

**Holding restrictions:** PIEs have restrictions on the percentage of units you and any of your associated parties can hold (generally no more than 20% of a Fund). We may redeem or cancel units held by investors exceeding the permitted threshold to ensure a Fund’s PIE status is maintained. If units are cancelled, subscription moneys will be refunded to you (less any amount that we and the supervisor (**Public Trust**) deem appropriate).

The impact of taxation will vary depending on your individual circumstances you are strongly encouraged to seek professional financial and tax advice.